

CITY OF TORRANCE
Torrance, California

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2012

CITY OF TORRANCE, CALIFORNIA

Single Audit Report on Expenditures of Federal Awards

Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	1
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7
Summary Schedule of Prior Audit Findings	9



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

The Honorable Members of the City Council
City of Torrance, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

We have audited the financial statements of the City of Torrance ("City"), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Torrance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

The Honorable Members of the City Council
City of Torrance, California
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A significant deficiency is defined to be a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. Item 2012-01 in the accompanying Schedule of Findings and Questioned Costs conforms to this definition.

This report is intended solely for the information and use of the City of Torrance City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McLaughlin

Irvine, California
December 21, 2012



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

The Honorable Members of the City Council
City of Torrance, California

Independent Auditor's Report

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Torrance ("City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City has complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a

The Honorable Members of the City Council
City of Torrance, California
Page Two

major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purposes of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City of Torrance as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City of Torrance City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Margaret Hoffman McLean R.L.

Irvine, California
March 26, 2013 (except for the Schedule of Expenditures of Federal Awards, as to which the date is December 21, 2012)

CITY OF TORRANCE, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Grant name	Pass-through	Federal CFDA number	DUNS	Federal grant number or pass-through grantor's number	Authorized grant amount	State matching and other revenue	Total	Accrued (deferred) grant revenue, June 30, 2011	Drawdowns	Expenditures	Accrued (deferred) grant revenue, June 30, 2012
Department of Justice											
Edward Byrne Memorial Law Enforcement Assistance		16.808	06-667-4169	2009-SC-B9-0064	351,425	-	351,425	(11,454)	176,822	231,659	43,383
Edward Byrne Memorial Law Enforcement Assistance		16.738	06-667-4169	2010-DJ-BX-0496	36,416	-	36,416	3,517	36,416	32,899	-
Edward Byrne Memorial Law Enforcement Assistance (ARRA)		16.804	06-667-4169	2009-DJ-BX-0471	36,942	-	36,942	2,117	3,694	1,577	-
Edward Byrne Memorial Law Enforcement Assistance (ARRA)		16.809	06-667-4169	2010-SS-B9-0094	60,493	-	60,493	19,600	23,417	3,817	-
Edward Byrne Memorial Law Enforcement Assistance (ARRA)		16.738	06-667-4169	2010-DJ-BX-2498	27,464	-	27,464	-	27,464	27,464	-
Asset Forfeiture Program		16.000	06-667-4169	N/A	-	-	-	(1,321,146)	95,919	87,059	(1,330,006)
Total Department of Justice					512,740	-	512,740	(1,307,366)	363,732	384,475	(1,286,623)
Department of the Treasury											
Asset Forfeiture		21.000	06-667-4169	N/A	-	-	-	(524,418)	7,733	20,098	(512,053)
Total Department of the Treasury					-	-	-	(524,418)	7,733	20,098	(512,053)
Department of Homeland Security											
Asset Forfeiture Program		97.000	06-667-4169	N/A	-	-	-	(960,605)	46,883	-	(1,007,488)
2008 Urban Areas Security Initiative		97.008	06-667-4169	2008-0006	810,139	-	810,139	-	4,306	499,428	495,122
2010 Urban Areas Security Initiative		97.008	06-667-4169	2010-0085	147,822	-	147,822	-	-	109,348	109,348
					957,961	-	957,961	-	4,306	608,776	604,470
2008 Homeland Security Grant Program		97.073	06-667-4169	2009-207	23,112	-	23,112	23,112	23,112	-	-
2009 Homeland Security Grant Program		97.067	06-667-4169	2009-019	24,803	-	24,803	4,985	5,406	19,818	19,397
					47,915	-	47,915	28,097	28,518	19,818	19,397
Total Department of Homeland Security					1,005,876	-	1,005,876	(932,508)	79,707	628,594	(383,621)
Department of Transportation											
Intermodal Surface Transportation Efficiency Act	CALTRANS (T 30-3520)	20.205	06-667-4169	MOU/LOA-P0004314S	7,000,000	4,000,000	11,000,000	(73,428)	3,644,388	6,192,307	2,474,491
Intermodal Surface Transportation Efficiency Act (ARRA)	CALTRANS (T30-3529)	20.205	06-667-4169	MOU/LOA-P0004314S	3,125,678	-	3,125,678	(120,767)	953,519	1,386,704	312,416
Intermodal Surface Transportation Efficiency Act (ARRA)	CALTRANS(T51-3529)	20.205	06-667-4169	07-933325	1,206,369	-	1,206,369	47,701	33,172	9,598	24,127
Intermodal Surface Transportation Efficiency Act	CALTRANS (T51-3530)	20.205	06-667-4169	07-933325	597,504	-	597,504	35,774	183,469	159,645	11,950
					11,929,551	4,000,000	15,929,551	(110,720)	4,814,548	7,748,254	2,822,986
Federal Transit Administration		20.507	13-619-0357	CA-90-X887	2,047,279	431,265	2,478,544	-	44,276	44,276	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y105	6,098,000	1,343,581	7,441,581	8,252	306,762	298,510	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y186	3,917,000	894,250	4,811,250	-	700,000	700,000	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y394	2,749,014	687,253	3,436,267	-	364	21,571	21,207
Federal Transit Administration		20.507	13-619-0357	CA-90-Y643	2,865,104	635,011	3,500,115	56,283	79,832	23,549	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y715	5,419,000	1,303,000	6,722,000	-	2,334,776	2,341,878	7,102
Federal Transit Administration		20.500	13-619-0357	CA-04-0132	1,604,240	664,510	2,468,750	-	1,611,184	1,613,823	2,639
Federal Transit Administration		20.500	13-619-0357	CA-04-0063	1,568,992	174,332	1,743,324	9,229	9,229	-	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y816	5,995,768	1,221,752	7,217,520	1,800,000	3,278,384	1,478,384	-
Federal Transit Administration		20.507	13-619-0357	CA-95-X146	7,900,000	1,247,727	9,147,727	-	3,834,653	3,834,653	-
Federal Transit Administration		20.507	13-619-0357	CA-90-Y949	5,910,900	-	5,910,900	-	-	2,250,000	2,250,000
Federal Transit Administration		20.507	13-619-0357	MOU/MOJMRBCMA067	2,875,000	-	2,875,000	-	-	20,000	-
					49,110,297	8,602,681	57,712,978	1,873,764	12,199,460	12,626,644	2,300,948
Total Department of Transportation					61,039,848	12,602,681	73,642,529	1,763,044	17,014,008	20,374,898	5,123,934
Department of Housing and Urban Development											
CDBG - CDBGADMIN		14.218	06-667-4169	N/A	68,174	-	68,174	-	420	20,384	19,974
CDBG - Residential Sidewalk Ramping		14.218	06-667-4169	N/A	655,825	-	655,825	-	588,361	655,825	66,864
CDBG - Bus Stop Accessibility Improvements		14.218	06-667-4169	N/A	133,488	-	133,488	-	99,350	109,855	10,505
					857,487	-	857,487	-	688,731	786,074	97,343
Section 8 Housing Choice Vouchers		14.871	13-433-6879	CA-121	6,516,076	-	6,516,076	(1,008,001)	6,516,076	6,419,498	(1,104,579)
Total Department of Housing and Urban Development					7,373,563	-	7,373,563	(1,008,001)	7,204,807	7,205,572	(1,007,236)
Department of Energy											
Energy Efficiency and Conservation Block Grant (ARRA)		81.128	06-667-4169	DE-SC0001528	1,462,300	-	1,462,300	2,151	1,256,528	1,398,663	144,286
Total Department of Energy					1,462,300	-	1,462,300	2,151	1,256,528	1,398,663	144,286
					71,394,327	12,602,681	83,997,008	(2,007,098)	25,926,515	30,012,300	2,078,687

CITY OF TORRANCE, CALIFORNIA

Notes to the Schedule of Expenditures and Federal Awards

Year Ended June 30, 2012

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

(a) Scope of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Torrance, California ("City"). For the purposes of this schedule, federal awards include both federal awards received directly from a federal agency, as well as federal funds received indirectly by the City from a non-federal agency or other organization. Only the portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are incurred when the City becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with or are within the amounts reported in the related federal financial reports.

(d) Relationship to Basic Financial Statements

Activities relating to all federal financial assistance programs are included in the City's basic financial statements as Special Revenue Funds.

(e) Subrecipients

The City of Torrance did not incur expenditures that were paid to subrecipients in the fiscal year ended June 30, 2012.

CITY OF TORRANCE, CALIFORNIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

(A) Summary of Auditors' Results

- (1) An unqualified report was issued by the auditors on the financial statements of the auditee.
- (2) There was one significant deficiency and no material weaknesses in internal control over financial reporting identified as a result of the audit of the financial statements.
- (3) No instances of noncompliance which is material to the financial statements of the auditee were reported.
- (4) No material weaknesses or significant deficiencies in internal control over the major programs of the auditee were reported.
- (5) An unqualified report was issued by the auditors on compliance for major programs.
- (6) The audit disclosed no audit findings which the auditor is required to report under paragraph .510(a) of OMB Circular A-133.
- (7) The major programs of the auditee were as follows:
 - U.S. Department of Housing and Urban Development: Community Development Block Grant- CFDA 14.218
 - U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers- CFDA 14.871
 - U.S Department of Energy: Energy Efficiency and Conservation Block Grant (ARRA) - CFDA 81.128
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$900,369.
- (9) The auditee met the criteria for a low-risk auditee under Section 530 of OMB Circular A-133 for the year ended June 30, 2012 for purposes of major program determination.

(B) Findings Relating to the Basic Financial Statements Reported in Accordance with Government Auditing Standards:

2012-01 Department Communications Regarding Capital Projects

As a part of our audit, we identified certain capital assets that were still in construction in progress as of yearend, although the assets had been placed in service months earlier. Accounting standards require that depreciation commence once capital assets have been placed in service. We found that other departments have not always kept

CITY OF TORRANCE, CALIFORNIA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

2012-01 Department Communications Regarding Capital Projects (Continued)

the Finance Department properly informed as to the status of capital projects so that the Finance Department can reflect the appropriate entries in its financial statements.

Recommendation:

We recommend that the departments managing capital projects keep the Finance Department properly informed of the status of capital projects so that the Finance Department can make the appropriate entries in its accounting records.

Management's Comments:

The Finance Department has always carefully monitored the status of City projects for financial reporting purposes. For future audits, as recommended by the auditor, we will expand this process to include a more rigorous inquiry with the project managers in Public Works to ensure that projects are depreciated upon their being placed in service.

(C) Findings and Questioned Costs Relating to Federal Awards

There are no auditors' findings required to be reported in accordance with paragraph .510(a) of OMB Circular A-133.

CITY OF TORRANCE, CALIFORNIA
Summary Schedule of Prior Audit Findings
Year ended June 30, 2012

There were no prior audit findings from the previous audit report that require follow-up.